DOCUMENT RESUME

ED 323 367 CE 055 757

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TITLE Towards an Employment-Oriented Training Policy: An Agenda for Action. Discussion Paper No. 60.
INSTITUTION International Labour Office, Geneva (Switzerland).
REPORT NO ISBN-92-2-107642-3
PUB DATE Aug 90
NOTE 26p.
PUB TYPE Viewpoints (120)

EDRS PRICE MF01/PC02 Plus Postage.
DESCRIPTORS Apprenticeships; *Developing Nations; *Economic Development; *Employed Women; Foreign Countries; Job Training; *Labor Force Development; Population Growth; Public Policy; Quality Control; Small Businesses; Supply and Demand; *Technological Advancement; Womens Education
IDENTIFIERS Contract Training

ABSTRACT

Training systems are facing three basic considerations: (1) adjustment to demographic trends such as the population explosion in developing countries, the aging of the work force in developed countries, and the increased participation of women in economic activities; (2) changing patterns of demand, such as lower rates of growth, restructuring of the economies of many countries, and technology; and (3) matching supply with demand. Realistic and effective planning for training programs can begin only if sound data are available; therefore, the first step in coping with future changes is to obtain the requisite information on economic changes and training requirements. Education and training linkages need to be considered. Enterprise-based training is a highly convenient and efficient way of training because the curricular contents can be changed rapidly to meet evolving needs, such as changing technology, and it has a built-in quality control measure. The manner in which training is financed constitutes the strongest tool that can be used to bring supply in line with demand for trained workers. Training in the nonunionized and informal sectors include small enterprise development and training for self-employment. (This discussion paper includes policy recommendations for the roles of policymakers, employers, workers, training institutions, and the International Labor Organization.) (CML)

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Discussion Paper No. 60

TOWARDS AN EMPLOYMENT-ORIENTED TRAINING POLICY: AN AGENDA FOR ACTION

By
George Kanawaty
Claudio de Moura Castro

edited by the Training Policies Branch of ILO Geneva

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LIMITED DISTRIBUTION August 1990

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ISBN 92-2-107642-3

First published 1990

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Printed by the International Labour Office, Geneva, Switzerland

Towards an Employment-Oriented Training Policy: An Agenda for Action

Education and training provide a person with the means of freely joining the economically-active population, contributing to the process of development and to his own self-betterment. As such, the development of human resources is part and parcel of any concerted employment policy.

Recent changes in the economic and social environment require a fresh examination of employment-oriented training policies. These changes have occurred as a result of demographics, rapid technological progress, and adjustment measures introduced to stimulate growth or to deal with indebtedness.

This paper was written in response to a request from the Employment Committee of the ILO Governing Body. It distills some of the views and beliefs held, at present, by the Training Department of the ILO which is based on world-wide perspectives.

The paper examines the impact of the changing environment on the supply and demand for trained manpower and recent developments in correcting the mismatch of supply with demand in the modern sector. It then reviews the reforms needed in the training infrastructure to make the training system more responsive to the changing environment. The paper then addresses the special problems of training in the non-organised and informal sectors which are becoming the major source of employment in most developing countries. It then proposes an agenda for action for the intention of policy makers, employers' and workers' organisations, training institutions and the ILO. This agenda needs to be pursued if an effective employment-oriented training policy is to be developed. Nevertheless, the paper recognises that certain problems remain a subject of continuing debate and draws attention to these unresolved issues. Because of that training policies need to remain flexible and attuned to local conditions.

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Towards an Employment-Oriented Training Policy: An Agenda for Action

George Kanawaty
Claudio de Moura Castro

I. Introduction

Education and training provide a person with the means of his livelihood and an opportunity to join the economically active population. For this reason, perhaps more than any other, the development of human resources should form a part and parcel of any concerted employment policy. Furthermore, employment is a function of growth and development, and since human beings are both the initiators and beneficiaries of development, it is hard to see how the development process can get off the ground without sustained and rigorous education and training efforts. Empirical evidence supports this notion. Thus, the development experienced in industrialised and advanced developing countries alike has been invariably accompanied by large capital outlays spent on the training of manpower. This investment has paid off in the form of productivity gains, since a well trained and motivated workforce can readily maximise the output from a given capital input.

But apart from the benefit that could derive from sharing the fruits of productivity gains, training also assists a person in his own self-development and provides him with the means to change his career if he so chooses by widening the horizon of job opportunities. It also helps upgrade the individual's own knowledge and skill, thereby paving the way for more remunerative jobs, and can increase job satisfaction when it is combined with job enlargement and job enrichment schemes.

More recently, however, a combination of factors has forced a rethinking of the approaches that need to be followed to adapt training efforts to new directions in employment policy goals and imperatives. Rapidly changing technologies, mounting demographic pressures, growing global and regional interdependence, rising indebtedness, as well as modest growth patterns in many regions of the world, are exerting pressure on most countries to adjust their economies accordingly. In this process of change training systems have to face three basic considerations. First, how can training support adjustment measures? Secondly, what sort of reforms are needed in the infrastructure of the training system so as to improve its effectiveness? Thirdly, with increasingly limited employment opportunities in the modern sector, what measures can the training system take to help those, who as a result, strike out on their own or drift to the informal sector?

Each of these three problems will be examined separately below before drawing up an agenda for action.

II. Adjustment and the training system

Adjustment measures are being introduced in many countries to alleviate the impact of certain changes. In human resources development, changes have occurred both in the nature of the supply of manpower and in the demand patterns for skilled labour. Such changes are gathering momentum, rendering the process of matching supply with demand more difficult. Thus, high levels of unemployment, coupled with labour shortages for certain occupations, are on the increase in many countries. The training system needs to adopt in many cases various new approaches to cope with the influx of the potential workforce to be trained, and with the rapidly changing profiles of occupational needs. Therefore, the training system has to adjust itself constantly and new tools have to be found to match the output of the training system with changing needs.

On the supply side, demographic trends, characterised by a population explosion in developing countries and a population contraction in industrialised countries, as well as the increased participation of women in the labour force, have raised new challenges for training this new pattern of entrants in the labour market in a cost-effective manner.

Moreover, the demand for various skills has been changing in quantitative and qualitative terms. Among the most important factors conditioning such change are the prospects for growth, industrial restructuring and advanced technology. The multiple problems and opportunities brought about by these factors need to be tackled by training institutions in a new light, and training efforts should be geared to the corrective adjustment measures that are being applied.

A. The changing nature of supply - demographic trends

Three demographic trends can be ascertained. First, an explosion in world population, which has doubled in the last forty years, with the increase occurring almost exclusively in developing countries. Secondly, a stabilisation, and in some instances a regression, in birth rates in advanced countries resulting in an ageing of the population. Thirdly, a greater awareness of issues relating to the role of women and increased efforts to expand women's participation in the labour force. Each of these three trends has implications for the training system.

1. Population explosion in developing countries

The sheer size of the new and upcoming generation of jobseekers in need of training is staggering. It is becoming evident that this influx is already outstripping the capacity of existing training institutions in many countries, and that countries are finding it financially prohibitive to go on building new institutions to keep up with the increase in the active population. The danger here is that training would be organised for its own sake without much regard to the needs of the labour market, and in this way perpetuate the same profile of trainees irrespective of the changing patterns of demand for skills. Furthermore, there is a risk of having the emphasis in training placed almost exclusively on initial training to facilitate obtaining a first job with problems of upgrading and retraining for mobility either left to the enter-

prises to solve, or the individuals to resolve themselves somehow later on, whereas, at present, retraining, upgrading and life-long education are becoming increasingly important as a result of restructuring and technology.

Several approaches are called for. In the first instance, training institutions need to increase their own productivity as well as follow a balanced approach in training. Modern developments in training technology can enable these centres to invest in a whole new array of programmes such as self-development methods, modular programmes, mass media and computer-assisted education. These programmes offer the advantage of reaching a wider audience, and while they could still be supported by the traditional training institutions, they do not necessarily take place inside those same institutions. Their cost-effectiveness can be higher in many cases. Second, in most developing countries training centres were built in the heyday of industrialisation and have continued to cater for occupations for which there is little demand, leaving other areas virtually uncovered. Thus, in many developing countries there are hardly any sustained activities directed to training managers in the construction or transport sectors whereas vocational training for these sectors may be adequately covered; there may also be little that is available by way of training for the services sector. In some other countries, training may be restricted to specific target groups. Egypt is a case in point. Until recently government-supported management development centres catered exclusively to the needs of the public sector, whereas the private sector constitutes close to 30 per cent of the economic activity of the country. A balanced approach also means that retraining, whether institution- or enterprise-based, needs to figure prominently on the agenda of policy-makers alongside initial training.

Most of the jobseekers in developing countries are youths seeking first employment. Hence, the active participation of enterprises with the government in developing viable youth employment and training schemes is a course of action that needs to be tried and pursued. Under these schemes, young persons can get first-hand training experience with both parties sharing part of the costs involved. Many industrialised countries, particularly in Europe, have had extensive experience with such schemes. This could take the form of apprenticeship, combined training, straight on-the-job training or variants of the dual system whereby young persons acquire their skills by alternating training between training institutions and the enterprise. Another venue open to policy-makers to relieve the pressure resulting from the supply side of manpower is training for self-employment. This will be discussed later in this paper.

2. Demographic contraction in developed countries: Older workers

Rising life expectancy in industrialised countries, coupled with stable and, in several cases, declining birth rates, have resulted in an ageing of the population. In the Federal Republic of Germany, for example, the proportion of the population aged 55 years or above will reach 32 per cent in ten years' time. It can therefore be safely assumed that in these countries labour shortages will be increasingly met by older workers who are today opting for retirement. Fortunately, older workers are nowadays generally in better intellectual and physical health than was the case earlier and display increasing readiness to rejoin the economically active population. Therefore training or retraining them will become a priority in these countries. To a certain extent, existing training facilities and schemes may be adequate to face this new demand. However, in certain countries such as the United States, and as a result of the growing interest in experienced older workers, special job search, counselling and placement systems have been devised for this purpose. Furthermore, there is a certain range of occupations for which older workers can provide a very useful contribution,

such as those associated with leisure activities, and services including insurance, retirement planning, community services and language education, and for which suitable retraining is needed.

3. Increased participation of women

The increased participation of women in economic activities is evidenced by the fact that in 1980 they represented 38.7 per cent of the total active population in OECD countries compared to 31.4 per cent in 1950. In Asia, the female share of the total labour force in 1985 was 33.8 per cent compared to 29 per cent in 1950, while in Latin America it increased from 18 to 24.2 per cent during the same period.

However, in many developing countries, this participation has been restricted to a narrow range of sectors and traditional occupations. While in industrialised market economy and centrally planned economy countries women are able to gain a certain degree of access to higher professional and managerial positions, the barriers to such careers prevail in many other countries. This calls for a change in attitudes and a review of policies by sensitising employers and governments to this issue. It also requires management development centres to pursue a determined policy of recruiting women for their initial and upgrading training programmes and to keep track of their trainees at their place of work and evaluate their performance by methods such as tracer studies and career development programmes. The same course of action needs to be followed by vocational training institutions so as to avoid segregation of jobs by sex whereby women are restricted to performing lower-ranking occupations such as assemblers or semi-skilled machine operators.

Finally, restructuring in some countries is causing a decline in certain sectors where female participation is high, such as the clothing, textiles and food processing industries, while at the same time expanding other sectors where female participation is equally high such as the services and information systems sectors. This should incite training centres to establish the necessary counselling and retraining services that are needed to facilitate the transition from a declining sector to an expanding one.

B. The changing patterns of demand

In a period of rapid change, three major factors have conditioned the quantitative and qualitative needs for trained manpower. These are growth prospects, industrial restructuring and technology. Each of these forces of change present the training system with a new set of challenges, and call for it to adopt a new set of strategies to meet the type of changes they provoke.

1. Prospects for growth

With the exception of East Asian countries, all regions of the world had an average rate of growth in the 1980s amounting to roughly half of what they experienced in the 1960s. Sub-Saharan Africa followed by Latin America seem to be the regions mostly affected, registering negative rates of growth for the period 1980-86. While economic recovery, following the depression of the early 1980s, seems to be sustained in most industrialised countries and in many Asian countries, the picture is different for the rest of the world. There, the prospects for growth have been adversely affected by inflation, indebtedness, declining terms of trade and shrinking capital formation and investment. This combination of adverse economic factors has resulted in a reduced demand for manpower in those countries at a time when most of them were facing a population explosion. It has also resulted in austerity measures. In many cases, either under the pressure of creditors, or because govern-

ments are finding it extremely difficult to increase their revenue by expanding their tax-base, across-the-board cuts were made in public expenditure, including those devoted to education and training. For example, between 1972 and 1985, central government expenditures on education in low-income countries dropped from 13.2 per cent to 7.6 per cent of the total budget in these countries with the exception of India and China.

While comparable figures for training are difficult to ascertain, the evidence is growing that such expenditures, if not reduced, are increasingly being shifted to the enterprise. This overall trend of reduced financial commitment to education and training is most unfortunate since it can result in a long-term negative and sometimes irreversible effect on the productive potential of their economies. Taking such a step in developing countries can further widen the know-how gap that already exists between North and South. The point at issue is whether investment in training should be reduced whenever the demand for manpower stagnates or whether it should be considered as a long-term investment that needs to be pursued because it provides the springboard for recovery, improved productivity and growth, and because it meets human expectation for a basic need, learning.

2. Restructuring

The pattern of demand for manpower is being influenced in no small measure by the restructuring in the economies of many countries. Two types of restructuring can be identified. First, there is the discernible longer-term trend of growth of the services sector in most countries. Secondly, the relative rates of growth of subsector activities are also changing. Thus, in many countries, there has been a shift in the order of importance of certain industries within the industrial sector. This has come about as a result of globalisation of markets, of declining competitiveness, of changing consumers' preferences or in response to a concerted economic policy such as the case in some socialist countries which are increasingly shifting productive capacity from heavy to light industry and to food and consumer goods production.

The training problems posed by restructuring are formidable. There are imperatives related both to retraining and to geographical mobility. Thus, the decline of coal mining and ship-building in Europe can only be remedied by massive schemes for retraining the displaced workers for new occupations. Experience shows that traditional training courses have not performed well in this respect. The need exists for a combination of counselling and retraining geared to identifiable job opportunities. In this respect, the co-operation of employers and workers' representatives in initiating the appropriate retraining schemes in those enterprises which are likely to face a situation of redundant labour is essential and can give a sense of direction to retraining efforts.

The issue of geographic mobility of labour is closely associated with restructuring problems. European experience shows that new industry tends not to locate in depressed areas. This means that either the retrained workers have to be persuaded to move elsewhere or the new industry has to be given sufficient incentive to operate in depressed regions. However, labour mobility does not merely depend on material incentives; it is also influenced by cultural backgrounds and regional preferences. How else can one explain the greater mobility of many categories of labour in North America compared to Europe where the material incentives employed, for example in the Federal Republic of Germany, have not achieved the expected results? There is also a correlation between mobility and age with younger workers being more mobile. For this reason, many governments have approached this issue by placing more emphasis on giving incentives to new industries to locate

in certain areas, including depressed areas, within a policy of regional development.

3. Technology

The proliferation of advanced technology has changed the pattern of demand for labour in both industrialised and developing countries. Job profiles are changing in two ways. First, some occupations are likely to be in high demand while others will gradually disappear and new types of skills will emerge. Secondly, the degree of proficiency needed for certain types of skills is also changing.

To prepare for the advanced technology age the education and training systems both need to undergo reform. In formal education the content of mathematics, sciences and computer science needs to be reinforced in the curricula within what can still be considered a culturally rich syllabus. More important perhaps is the changing role of the training systems. Training for narrow specialisations without the requisite conceptual and broader content induces rigidity in the occupational structure. At the same time, such training has to avoid superficiality and penetrate into the technical details of occupations, and it should also give a mastery of science, communication skills and numeracy. Programmes need to be broader, richer and modular to facilitate adaptation from one technology to another and upgrading from one occupation to others of the same type. Occupational flexibility, needs to be promoted in order to meet the requirements of both advanced technology and restructuring. To the extent that workers with broader skills may have a greater feeling of employment security it may contribute to a healthier industrial relations climate. However, occupational mobility needs to be encouraged in active consultation and collaboration with worker representatives for at least two reasons. First, departure from narrow job descriptions, while desirable, can have implications for wages. Secondly, multi-skilling may affect the lines of demarcation among several workers' organisations within the same enterprise, and that is why it needs to be advanced in a consensual context.

It is also becoming increasingly clear that with advanced technology more training will be undertaken within the enterprises. To the extent that training institutions can collaborate with this training, this provides them with a good opportunity to keep their activities close to the world of work. Another phenomenon associated with technology is for vendors of equipment to become producers of training materials and also to become more active in offering training. Along the same lines of changing traditional roles, training institutions are becoming more involved in technological development. For example, some vocational and technical schools in Switzerland are engaging in the design, development and construction of prototype products and machines. Others subcontract with enterprises for maintenance, repair or overcoming difficult problems.

As trainers join producers and producers get involved in training, the cross-fertilisation of their respective experiences opens up new possibilities. In a period of austerity, these make it possible to increase revenues of training institutions, as well as to utilise some of their idle capacity. It also renders their training more relevant to the world of work.

In the technology age, the importance of maintenance skills equals or exceeds that of direct production skills. Training for maintenance has to focus on diagnosis and this requires developing multiple skills for the maintenance worker. Similarly, with the proliferation of data processing, there is a continuously increasing need for multi-skilling, since, in addition to their job, people have to learn how to use computers competently.

Finally, advanced technologies require continuous learning and upgrading. An electronics engineer may need up to 300 hours per year of further training to keep abreast with developments in his or her field. Therefore, in order to render training more responsive to the demands of the technology age, several courses of action need to be followed simultaneously.

C. Matching supply with demand

In a period of adjustment, two issues need to be addressed in seeking to match supply with demand. From the qualitative point of view, the degree of proficiency in the skills imparted by training institutions needs to match expectations, particularly since product quality is becoming a major strategic concern of many enterprises. Thus shoddy quality standards during the training period will reflect on the quality of the product and can be very difficult to correct later on in a work situation.

Traditional approaches to manpower forecasting are proving too simplistic to be of value given the rapid changes in demand patterns. The variables are many, the uncertainty great and the emerging and needed occupational profiles are changing constantly. Thus, new initiatives have to be found to correct the short-run mismatches between supply and demand in a systematic and continuous manner. In this respect, a self-correcting mechanism can offer the best hope of achieving such an equilibrium.

In a typical situation, those who have a say in the decision process - whether to introduce or to hamper change - have more to lose than to gain if they try to adjust training to new needs. Existing financing systems may tend to be such that inaction is sometimes the most advantageous course of action for training. Change involves going against vested interests and inertia and may bring no compensatory rewards. Hence in these cases the most rational behaviour is inaction, and the system does not correct itself.

The best image for understanding self-correcting mechanisms is provided by the competitive market model. If a product is not wanted by consumers, it will not be purchased, thus creating a very strong incentive for sellers to overcome whatever barriers prevent them from producing a cheaper, better or different product. When supply mismatches demand, it unleashes powerful forces (fall in profits or losses) that militate to redress the balance. Training could in a few cases be left to market forces. But this may not be a general solution for all countries. What training systems need is a mechanism that corrects course in an automatic way, at least for the everyday or minor changes that occur.

The recent experience of Europe and the United States in creating other self-regulating links between training and demand is positive and can serve as an example to other regions where the problem is more serious. When institutions get funds for training directly from the employers or from a levy system where the employers have a strong say in its management, they have every reason to offer what firms want. When trainers are evaluated and receive financial rewards on the basis of the proportion of graduates that have found the right jobs, they have no longer any reason to persist in the easy path of repeating the same courses.

Some important lessons can be drawn. Major upheavals in the world of work may perhaps require energetic higher-level administrators to remodel the training system. Training institutions' approaches, methods and area of coverage need also to be reformed, as will be explained below. Yet, the everyday adjustments - which in the long run may have major cumulative effects - may have to be obtained by means of self-correcting mechanisms. Closing

down or reducing the intake of a course for which there is no longer a demand can be achieved through a system of sanctions and rewards, and a combination of reformed training institutes and correcting mechanisms can be a powerful tool in matching supply and demand in a period of adjustment.

In this process there is a considerable latitude for government intervention. Excessive planning can run the risk of being ineffective. On the other hand, planning may be restricted to the more critical areas or those in which major changes are to be implemented leaving market forces or other self-regulating mechanisms do the rest. How much to plan and precisely for what remains to be considered, and answers will have to fit within the context of each particular country.

III. Preparing the infrastructure

As mentioned above, drastic changes in society or in the economic structure call for premeditated changes in training. The magnitude of such transformations requires careful planning for expansion, change of direction, or emphasis in training. Careers in which training cycles are long also need lead time to prepare for such change. For instance, engineers and scientists require more than a decade to prepare.

Realistic and effective planning can only begin if sound data are available. Therefore, the first step in preparing to cope with future changes is to secure the requisite information on economic changes and training requirements. Adequate but relatively light information systems need to be created and progressively refined. The purpose would be to assess the training resources needed and, by inference, the financial implications required for effecting changes in the training system commensurate with evolving adjustment measures.

Experience suggests that planning training is a very difficult exercise, subject to gross errors if due precautions are not taken. As indicated above, there is no single course of action that can be universally applied. Instead, one can follow a strategy comprising several courses of action that need to be carried out simultaneously to cater for various target groups and for changing situations. While in the foregoing analysis, the various forces of change occurring in the supply and demand for manpower and their implications for training were examined, it is clear that a reform in the training system itself is required to enable it to assume this changing role and to face the challenges of adjustment.

A. Education - training linkages

Organisations are constantly in search of labour with a desired degree of proficiency. Such skills can be achieved through a combination of an educationally imparted knowledge and further training. Whatever the education system omits in terms of knowledge and skill for a given occupation has to be made up for by the training system. Thus workers with a poor background in numeracy may have to follow special courses in computing before being trained on numerically controlled machines. Accordingly, the lower the standard of formal education to gain entry to a certain level of training or the more inappropriate the curriculum is, the longer and costlier becomes the training needed. Therefore, the levels of schooling required as preconditions to enrol in each type of training programme need to be carefully established. If too little schooling is required as a precondition for training, several things may happen. The trainees may not be

able to follow the training given and training centres may end up recruiting from a sample of candidates with a high probability of poor performance and potential drop-out. This will in due course reflect on the prestige of the training centre and the employability of its graduates. If, on the other hand, too much formal education is required for admission to a training institution, those who will have reached such a level may altogether lose interest in pursuing an occupational career or may enrol only if they fail to get accepted elsewhere.

The end of schooling does not have to coincide with the beginning of training. In fact, the policy of making training overlap with the last years of school education has been adopted by many countries. The best-known approach has consisted in introducing vocational training into regular secondary school programmes. Training that is closer to the regular education system tends to offer sufficiently broad general education and theoretical preparation. Therefore, vocationalisation of secondary schools may seem a very attractive proposition. Yet, empirical evidence suggests that it rarely succeeds in helping students to get better jobs or obtain higher incomes. The technological and manual activities are frequently meagre and out of touch with market needs. In fact, it is clearly difficult in such cases to create close links with labour market needs. Institutions that are overdependent on the State and gravitate around the academic school circuit tend to lose touch with market needs and thereby become less effective. In addition, they do not create the environment where true craftsmanship and the values of the occupations taught can thrive. This is particularly true in societies where technical and manual occupations have a low status. The most typical examples illustrate the situation mentioned at the end of paragraph 38 above. Students who reach the end of secondary schooling think that they can have access to higher education and when obliged to take up vocational subjects they do this perfunctorily and without any serious intention of pursuing the occupation taught.

There is also a trend in certain countries to blur the boundaries between education, training and the world of work. The traditional apprenticeship systems, coupled with theoretical courses, constitute the well-known "dual system" which offers excellent results in the Federal Republic of Germany, Austria and Switzerland. Young apprentices are hired by firms and put under the responsibility of a qualified skilled worker. Part of the time they will do productive work in the firm, but they will also be initiated in a trade. In addition, a few days a week they will attend courses in a training centre, usually operated by the government, but with the participation of employers' and workers' associations. These centres will teach theoretical and technological subjects and may occasionally reinforce the workshop skills. This alternative has proved to be somewhat difficult to reproduce exactly in developing countries. Two of the initial stumbling blocks are the difficulties in setting up the administrative facilities for getting the apprentices hired, as well as overcoming the reluctance of the employers to take on young workers who are not very productive and do not work full time. But with some variations this remains one of the most interesting solutions. (A common solution is to concentrate most or all of the school-based modules at the beginning, and have the in-service internship take place later.)

B. Bringing training closer to firms

Training is expensive and, depending on who carries it out, the financial burden tends to be distributed differently. For instance, expanding enterprise-based training in effect increases the enterprises' share of the costs. There is a clear trend in this direction, which is occurring for various reasons. A desire to shift the rising training costs from the government to enterprises may be one reason, but efficiency and a better match between need and supply constitute another underlying reason. This is so

because institutions closer to the labour market usually perform better and generate results that suggest a more favourable relation between costs and benefits. Therefore, it is sensible to have as much training as possible offered by in-service schemes or by institutions that have close links with them. The dilemma is in how to match the requirements of a national strategy with enterprises' freedom to act in this area. Policy-makers tend to use the financial leverage of levy systems, tax rebates and other similar means to bring training closer to the enterprise. But this can be self-defeating if management is not sufficiently convinced of the importance of training, in which case they will view these financial schemes as a tax, rather than as an investment. Therefore, along with such schemes there should be consultation and involvement of employers in designing the training strategy on a national scale.

This being said, given the intimate knowledge enterprises have of their own needs, enterprise-based training is a highly convenient and efficient way of training as the contents of the curricula can be changed rapidly to meet evolving needs, such as changing technology. Furthermore, it has a built-in quality control measure.

Several formats for organising in-plant training are available. In-house training centres may be more adequate in some cases, while outside teams or consulting firms may offer custom-made programmes better suited for small firms where the number of potential trainees is small. On-the-job training programmes can be enriched with more conceptual preparation and "sandwich courses" can also respond to some particular situations.

Institution-based training needs to be reformed along the lines mentioned above, i.e. by becoming closer to the world of work in order to identify needs better and offer programmes that can meet changing demands. Flexible, broader and modular programmes are more cost-effective as well as permitting new developments in instructional technology. Furthermore, training centres need to provide specific services to enterprises, such as developing product prototypes, subcontracting to undertake certain operations for the firm, and offering to run enterprise-based training schemes.

C. Financing of training

In most countries, training takes place both in public or private institutions and within the firm. The cost of training needs to reflect this division of responsibility. In industrialised market-economy countries there are indications that this cost is being increasingly shifted to the enterprise. In France, state expenditure amounts to 58.6 per cent and the private sector to 35.4 per cent, while different public and other organisations contribute 6 per cent. In the Federal Republic of Germany, 58 per cent of the cost of training is borne by the public sector and 42 per cent by the private sector. In both cases, the share of the private sector was lower several years ago and is likely to increase in the future. In socialist countries, the State underwrites most of the training costs. In developing countries, institution-based training which accounts for the bulk of the training effort is financed by the State, whereas enterprise-based training is financed by the enterprise.

However, many countries, developing and industrialised alike, have introduced schemes to underwrite some of the mounting financial burden in training. The most common has been the levy system where up to 1 per cent (and sometimes more) of the wage bill is levied to finance training. Other schemes involve tax rebates, special financing focusing on particular target groups, contract training by either the government or the enterprise for specific assignments, or as in the Republic of Korea, a tax imposed on the enterprise of 500 or more workers if they choose not to offer in-plant

training to a percentage of their workforce. Each of these systems has its advantages and drawbacks. What is important is to have a financing system which generates incentives for changing the course, whenever the supply of trainees is no longer in step with labour market needs and, in this way, it renders the training system supportive of adjustment measures and employment objectives.

Thus, the widely used levy system can become relatively less effective in this process if public or semi-public training centres and institutes get a fixed budget from that fund, irrespective of whether they are or are not adjusting their programmes to changing needs. Funds generated by the levy systems are substantial. They are paid by employers ostensibly to serve their immediate and long-term needs. It is therefore essential for them to have a strong voice in the way these funds are disbursed. Only thus will they come to consider a levy system as an investment, rather than as an additional tax. Tax rebates constitute an incentive provided that the process of getting the proposed training activity approved for a tax rebate is not so slow and bureaucratic that it discourages the enterprises from using it. Contract training works well, but only between dynamic firms and aggressive trainers. The Korean experience of taxing in terms of non-trained labour has been controversial and led to several problems due to varying interpretation between the Government and enterprises on matters such as the percentage of the workforce to be trained and what constitutes an acceptable period of in-plant training. Many countries operate a multiplicity of different financial mechanisms, each responding to a particular need or compensating for the shortcomings of the other. It cannot be overemphasised that the manner in which training is financed constitutes the strongest tool that can be used to bring supply in line with demand for trained manpower, and that irrespective of the scheme or combination of schemes used, it must be managed with this objective in mind.

IV. Training in the non-organised and informal sectors

Most of the analysis in the preceding paragraphs is largely relevant to the modern formal sector. In a period of slow employment growth in the formal sector, entrants into the labour market have no option but to join the informal sector, to become self-employed, or to create and develop small enterprises if they want to avoid being unemployed. The role of training in respect of this growing target population cannot be overlooked.

A. Small enterprise development and training for self-employment

Self-employment and employment in small enterprises constitute a major source of employment in many countries. Apart from the relatively low cost involved in creating a small enterprise, evidence shows that entrepreneurs are more likely to have come from the ranks of small enterprises than larger ones. Thus, encouraging small enterprises can have a multiplier effect. Promoting self-employment can also encourage initiative and innovation, promote savings and investment, lead to a better distribution of income and add flexibility to the economic activity since small enterprises can sometimes respond more readily to economic changes than many larger ones.

There are various issues to be tackled in promoting small enterprises (also called co-operatives in socialist countries). To begin with, an entrepreneur needs to be found and trained. If he is already operative, the problem of upgrading his knowledge is not insurmountable. But detecting potential entrepreneurs has to start at an early stage. It is, perhaps, unfor-

tunate that education and training curricula in many countries carry with them the notion of reliance on the State or on the formal sector for future employment, rather than self-reliance or alerting trainees to self-employment possibilities. Attitudes and beliefs have to be changed. Very little has been done to introduce simple notions of small enterprise management and entrepreneurship in regular vocational and commercial school curricula, even as an option.

In addition, the ILO experience shows that training in this area carried out on its own is ineffective. Training has to be combined with credit facilities, with advice and consultancy on the feasibility and management of the intended venture and with preparing the infrastructure such as the development of industrial estates, availability of power, water, transportation facilities and adequate channels of distribution, particularly in rural areas. These are roles that governments can usefully perform. Recently, some governments have looked at this sector as a possible means of placing civil service employees who have become redundant as a result of adjustment measures. The ILO's limited experience in this particular effort has yielded mixed results for three main reasons. First, not all persons possess the desired drive and risk-taking ability that is needed to start a small enterprise. Pre-screening of candidates is important as some of the redundant employees have little inclination and disposition to become entrepreneurs. Secondly, governments sometimes underestimate the additional effort they have to undertake, apart from training, in preparing credit facilities and other forms of technical assistance. Thus, the components of the package needed for success are not complete or adequate. Thirdly, over-expectation can sometimes dampen enthusiasm for the scheme. In fact, the number of small enterprises that can be reasonably created and supported in a year is usually small by comparison with the hundreds, sometimes thousands, of civil servants whose employment is being discontinued.

Apart from the range of supporting services that need to be provided to foster small enterprise development a national policy has also to be developed that is conducive to such a course of action. Such a policy could examine issues related to tax incentives, guarantee funds, role of development and commercial banks in the process, linking the various components of technical assistance, including coherent training programmes, etc. Small enterprise managers for whom the policy is intended need to be involved in its formulation. Their voice can best be heard if they belong to an association or to an employers' organisation, through which they can also be more readily reached for training purposes. This is particularly the case in developing countries where the obstacles to establishing a small enterprise can tax the energy of the individual entrepreneur and where a collective approach can help smooth over many obstacles.

B. Coping with the informal sector

In most developing countries employment in the informal sector outstrips that in the modern sector and constitutes a seemingly irreversible trend. For that reason, training efforts for this sector should not be considered as makeshift or transitory dispositions. The sector needs a well thought-out approach to training.

One of the initial steps in that direction is to develop better methods for assessing needs. Not all workers in this sector can be meaningfully trained, but experiments suggest that in some areas favourable results can be obtained.

Traditional apprenticeship in a craftsman's workshop is the main way of training workers in this sector. Instead of abandoning this system, it is preferable to seek to improve it within the constraints under which small firms operate. There is a need for mechanisms

to protect the apprentice within the above-mentioned constraints, and without discouraging craftsmen from accepting apprentices, through various legislative measures. It should not be overlooked that in many developing countries traditional apprenticeship constitutes a sizeable effort towards providing training and creating employment in this process. This is particularly true in rural areas. What is also needed are incentives for master craftsmen to become more dedicated trainers. In some cases, special training programmes for craftsmen may yield good results. Only recently, this approach has become accepted. In order that traditional apprenticeships yield good results, it is necessary for local workers to master the skills that they are expected to transmit. Structured training programmes may be a necessary means for inducing good work habits and transferring technologies not known in the region. The existing experience in the area is still very scant but the prospects are favourable.

Training-cum-production schemes offer concrete advantages and can be employed meaningfully in various circumstances. Yet, this is not a very easy system to operate, requiring precautions to ensure good results. The danger is that either the focus of attention in training falls on conventional academic activities leaving production as a fragile or artificial activity, or producing for the market becomes the sole objective, the training side being considerably downgraded.

The role of conventional training institutions in the informal sector remains to be properly defined. It is wasteful to leave these expensive and experienced institutions isolated from the fastest growing segment of the labour market. On the other hand, the strategies and methods that these institutions can deploy to reach informal sector workers are not self-evident. One interesting alternative is to have them give resource support to other smaller institutions by providing training materials, technical assistance and training of trainers for the informal sector.

The role of NGOs in training for the informal sector is becoming increasingly more important. They operate cheaply and are better adapted to working at grass-root levels than large centres traditionally established to cater for the modern sector.

V. Policy recommendations - an agenda for action

Perhaps more than ever before, there is a consensus among the social partners that training efforts need to be pursued vigorously and examined in a new light if the chances of success in adjusting to a changing world and in expanding employment opportunities are to be enhanced. There may be a lack of consensus among the social partners in certain countries about issues such as occupational flexibility, sharing the cost of training or financing schemes, but by and large there is an agreement that training has to form an integral part of an employment policy and predetermined adjustment measures.

In proposing an agenda for action, applicable to all countries and target groups, there is a risk of being too general in formulating the recommendations, thus diminishing their usefulness or being too specific, thereby opening the door for a wide array of exceptions.

Nevertheless, from the analysis followed in this paper, it is possible to detect certain trends which call for corresponding action on the part of policy-makers, employers' and workers' organisations, training institutions as well as the ILO. This agenda for action is proposed for consideration by members of the Committee on Employment.

A. Role of policy-makers

Policy-makers - be they responsible government authorities or legislative bodies, whether central or local - should consider training as an essential ingredient of their employment policy and not as an isolated area dealt with on its own. The know-how and experience of the social partners should be mobilised. This includes the identification of the most serious problems faced in the training of human resources, a review of current relevant legislation, co-ordination of training efforts, equity considerations, the cost-effectiveness of the training infrastructure and building up the statistical base needed for making decisions on required changes in the training system in a period of adjustment.

Experience shows that, when austerity measures have to be taken to reduce government expenditure, many countries tend to effect cuts along the lines of least political resistance. Education and training are obvious targets as areas like subsidies are politically sensitive. Policy-makers should guard against the risk of drastically reducing financial support to education and training and should evaluate the impact this can have on their long-term productive potential before such cuts are introduced. They should also guard against reducing resources even in periods of slow growth due to the long-term impact they may have when accelerated growth resumes.

Fixed budgetary allocation to training institutes tend to breed rigidity and lack of response to changing needs. Policy-makers should review the financing schemes for training incentives to correct the mismatches between the supply and demand for manpower.

Policy-makers should review the educational curricula and the linkages of the education system with the training system. This transition from education to training can be a serious source of difficulty and policies that work at cross purposes. Possibilities should be examined of reinforcing mathematics, sciences and computer use in basic education and of introducing simple notions of small enterprise management in technical and commercial schools. They also need to review the fit between graduates of primary, secondary and tertiary education and the corresponding training possibilities, and career prospects available to them after each phase, and the incentive scheme that can be used to attract more graduates from one educational phase to a training phase in lieu of pursuing further education, thus reducing labour market imbalances.

Special training schemes should be devised in co-operation with the social partners for the retraining of workers affected by industrial restructuring.

The experience of employers' and workers' representatives needs to be drawn upon and their co-operation sought in establishing special schemes for youth employment and training, and in the case of industrialised countries, for counselling and more meaningful utilisation of older workers in the productive and service activities which should be encouraged.

A policy of encouraging small enterprise development and promoting self-employment should be established and supported. In many countries this will require creating or reshaping an infrastructure of credit facilities, training and other forms of technical assistance to enhance its chances of success.

B. Role of employers

Employers have a twofold role in training. Through enterprise-based training pro-

grammes they provide training, and by employing trained persons they benefit from the training system. As such, employers need to participate actively in policy-making bodies on training at various levels and on the boards of training institutions where they can make their views and needs directly felt. A prerequisite for effective participation is a thorough knowledge of their actual needs. If employers participate through their organisations, then these organisations must be in a position to continuously assess training needs of their constituents, the problems faced and the reforms needed in the training system, be it in legislation, financing, training infrastructure or curricula.

Likewise, employers must have a strong voice in the management of levy systems and similar schemes where they exist and to which they subscribe for the financing of training. They should actively express their views concerning the effective use to be made of such schemes.

To cater for the needs of advanced technology, employers have to embark on more systematic in-plant training. In this respect, strengthening mutual co-operation with training institutions can be beneficial to both.

In their quest for increased occupational flexibility of manpower, employers need to negotiate with workers' representatives and secure their co-operation in order to widen occupational knowledge, and sometimes job categories, beyond the confines of existing narrow job descriptions. This negotiation is important as it can have wage implications, and may involve more than one workers' organisation within the same enterprise.

Employers, particularly in developing countries, need to co-operate more closely with governments to help train youth within their enterprises and involve workers in this endeavour. They also need to improve training and career prospects for women.

Employers need to co-operate with governments and workers' representatives in setting up special retraining programmes for those workers who may become redundant as a result of adjustment measures, and that before the redundancy occurs.

Employers' organisations should encourage small enterprise managers to become members of their organisations either directly or through their associations, and should defend their interests.

C. Role of workers

Workers and their representatives should consider training as a major concern and not as a secondary issue, since it provides their members with opportunities for career change, particularly in a period of adjustment, for upgrading and access to more remunerative jobs and for self-development. As such, it should be a main item on the agenda of major negotiations.

As in the case of employers, workers need to participate actively in policy bodies and training institution boards. They should play a much greater role than many do at present in helping shape training policies and directions.

While employers may have a particular concern for tangible productivity gains in planning training activities, workers need to draw attention also to the overall development of human resources and to argue for introducing training in the enterprise in a systematic and appropriate manner to benefit their constituents, avoiding the sometimes expedient and shallow type of training followed for the exercise of specific jobs as the need arises.

Workers' organisations need to co-operate fully with government and employers in devising schemes to cope with training problems of workers that may become redundant as a result of adjustment measures. They also need to co-operate with employers in widening occupational profiles to promote occupational mobility and with governments in the various schemes that may be set up to attract new industries to depressed areas, or for that matter to facilitate geographic mobility.

D. Role of training institutions

In preference to the establishment of new institutions whose cost may be prohibitive, existing training institutions need to improve their own productivity and expand their services by capitalising on advances in new cost-effective instructional technologies such as self-development methods, modular programmes, mass media and the like.

They should follow a flexible strategy in planning their activities and should be ready to revise curricula and reshape the direction of training in line with new needs.

Training for narrow specialisations should be avoided, and training in numeracy, conceptual approaches and communication skills reinforced to cater for advanced technology training needs.

Liaison and mutual co-operation with enterprises should be reinforced, offering services on in-plant training, developing prototypes or carrying out specific assignments for enterprises, thus becoming closer to the world of work.

Training institutions should follow a concerted policy of combining their training activities with employment prospects for their graduates, and should take active measures to attract women to their various courses. Attempts should be made to evaluate performance and careers of their graduates, including women, by such tools as tracer studies.

They should offer advice and co-operate actively in retraining schemes for workers, including women, to enable them to move from contracting to expanding sectors.

Entrepreneurship and self-employment training in vocational and commercial training curricula need to be introduced as an option.

Co-operation is required with NGOs and other grass-roots level organisations in extending training through them to workers in the informal sector.

E. Role of the ILO

Funds permitting, the ILO can play an important role in three directions.

The ILO needs to direct its conceptual work to issues relating more closely to the relation between training policies and employment and adjustment policies. The issues that need to be studied within its regular budget programme include the following: comparative analysis of the impact of budget cuts on education and training; case studies of the impact of adjustment on training systems; case studies on how certain countries have changed their training efforts to respond to the technology age; case studies on various schemes followed to cope with the retraining of workers affected by restructuring and their impact; and a study of the various schemes used to finance training and their impact as a correcting mechanism to reduce the mismatch between the sup-

ply and demand of manpower. The network of training institutions established by the ILO in various regions in vocational training and on an inter-regional basis in management development can be an important tool for the collection of the information needed for this research, as well as for inducing changes in training policies at the regional and country levels.

Through its extensive technical co-operation programme in the training field, the ILO can assist training institutes and policy-makers in improving the relevance and cost-effectiveness of their activities along the lines mentioned above. It can also assist employers' and workers' organisations through advice, seminars and workshops in assuming their respective roles. Furthermore, where these organisations carry on their own training activities, the ILO can directly assist their efforts. The ILO's role in this field must be seen as forward-looking and not reactive.

The ILO needs to play a leading role within the UN system in the area of training by undertaking joint studies and joint activities in training for adjustment and employment promotion with organisations such as UNESCO, UNIDO and the World Bank. The ILO needs to work closer with UNESCO in forging better links between education, training and employment. Furthermore, in co-operation with UNESCO, the ILO should make the Bretton-Woods institutions aware of the impact of reducing expenditure and support to education and training in developing countries. In this mobilisation effort, the ILO should examine the feasibility of holding a World Training Conference, and of organising round tables for policy dialogue on employment and adjustment-oriented training efforts.

VI. Unresolved issues

Apart from the policy recommendations made in the previous section, there are certain issues in training policy on which it is difficult to take a stand without raising controversy. This section outlines these unresolved issues.

How much planning is needed and how much is to be left to market forces? A rapidly changing environment and adjustment measures render the planning of training a difficult exercise and one that can be subject to gross miscalculations. To try and plan everything can breed bureaucracy and risks being ineffective. On the other hand, some argue that waiting for market signals to indicate scarcities, for example by higher wages for scarce occupations, may not be the most effective way either, as preparing training for some occupations like advanced technology technicians or certain types of engineers may require a long lead-in period. The obvious answer appears to be that certain critical areas require a deliberate effort to anticipate training needs and others are best left to adjustment processes like market forces. Countries have to find their own solutions and decide what areas are best left to market forces. Some countries prefer to concentrate on quality education and leave the rest to market or local solutions. But this is not a solution preferred by all.

How much of the training can be carried out by firms and how much should the government do? Training given by enterprises tends to be self-regulating. Quality responds to immediate needs and costs are kept at bay. Yet there are some who argue that this type of training may be too shallow, responding mainly to short-sighted interests. Most governments have traditionally been active in training. However, a greater and more encompassing involvement of the government may carry the risk of rigidity and may in certain countries breed bureaucracy. In many Western European countries there is a trend towards shifting costs and efforts increasingly to the enterprises, with this trend being clearer in some countries than in others. Should this trend constitute a model to be followed? What sort of role should

the governments retain in training in countries with various economic systems and at various stages of development and what role should best be left to the enterprise in these countries?

Where are the links between education and training? Most developing countries suffer from serious problems of quality in their regular schools. As a result, training institutions take on individuals who have received an inadequate education. Upgrading the quality and coverage of regular schools is a worthy aim that is presently receiving much attention. However, it is beyond the reach of training administrators. The choices left to training centres are more limited. Some are forced to lower their standards on account of the insufficient preparation of incoming trainees. This may jeopardise the quality of the training that can be offered. For this reason, several other institutions prefer to reinforce their programmes with contents that should have been mastered in regular schools. This results in longer courses of study and higher costs. The respective roles of education and training instituions are blurred. Many schools offer vocational preparation and many training institutions not only offer regular education subjects (e.g. reading comprehension, mathematical concepts and science) but reinforce their mastery in the course of preparing for jobs. Therefore, the links between them are complex and often dysfunctional. They need to be examined with an open mind and a co-operative spirit.

What training should workers demand? While workers' representatives may have a major role in training, they face a delicate situation. One of the issues is the balance between productivity and access. Enterprise managers seek to obtain the maximum productivity from the training they offer. In broad terms their interests coincide with those of workers. But firms may concentrate their training resources on a few critical occupations and offer much less to the majority. Likewise they may focus their training on the higher-level staff. Workers on the other hand, have interest in monitoring closely the distribution of training amongst their members. Training gives workers a better chance to face the labour market and makes them less vulnerable to business cycle fluctuations. Access to training is sometimes considered a worker's right. Hence a more equitable distribution of training may often be promoted. However, over-emphasising the welfare dimensions of training may be wasteful. It is argued that certain workers may not be sufficiently prepared to benefit from training and that training the hard core of unemployed has not usually yielded the expected results. It is also suggested that offering training on welfare grounds alone may not promote the welfare objectives that prompted the policies. The connection between training and the productive sector is always paramount. However, if workers consider efficiency alone they cease counterbalancing the employers' interests. What is the proper balance to be struck in the pursuit of productivity and equity?

What can large training institutions offer to the informal sector in developing countries? Many developing countries have well-established training institutions that have acquired considerable competence in training for the modern sector. They were neither designed to operate in the informal sector nor do they display much eagerness to move in this direction. NGOs and grass-root movements are becoming increasingly active in the informal sector. While they show most of the traits required to succeed in this sector, they have little if any competence in training. How can their vocation to operate in the informal sector be combined with the technical competence of the established training institutions?

Should traditional apprenticeship be encouraged? In many low-income countries, particularly in Africa, traditional apprenticeship provides a means of livelihood and training to a large number of young persons who have no hope of enrolling in a training institution or of access to further education or to employment in the modern sector. Learning

employment in the modern sector. Learning their occupations on the job with a craftsman often enables them later on to become craftsmen themselves and train others. This channel has also been a good source of trained labour for the countries concerned. In fact it can sometimes be the only source of training for the informal and some tertiary subsectors. Nevertheless, this system gives rise to social concerns which relate to the need to protect apprentices from exploitation and from working under precarious conditions. Many attempts have been made to regulate this system, either by extending social security coverage or by other means, but in most cases such well-meaning policies have resulted in the craftsmen abandoning the practice of taking on apprentices and prevented these apprentices from obtaining the jobs they need to survive and the occupational experience essential for their future. Assuming that traditional apprenticeship has to be encouraged in developing countries what kinds of policies are needed in these countries to strike a balance between the conflicting goals of economic necessity and social protection?